

Accountancy Act

Promulgated, State Gazette No. 98/16.11.2001, effective 1.01.2002, amended and supplemented, SG No. 91/25.09.2002, SG No. 96/29.10.2004, effective 1.01.2005, SG No. 102/20.12.2005, effective 20.12.2005, amended, SG No. 105/29.12.2005, effective 1.01.2006, SG No. 33/21.04.2006, amended and supplemented, SG No. 63/4.08.2006, effective 4.08.2006, SG No. 105/22.12.2006, effective 1.01.2007, SG No. 108/29.12.2006, effective 29.12.2006

Text in Bulgarian: Закон за счетоводството

Chapter One

GENERAL PROVISIONS

Article 1

(1) This Act shall regulate:

1. The requirements for exhaustiveness and truthfulness in accounting systems (accounting offices) with enterprises;
2. (Amended, SG No. 105/2006) The contents, drawing up and publication of financial statements of enterprises;
3. (Amended, SG No. 105/2006) The requirements applicable to persons producing financial statements.

(2) (Amended and supplemented, SG No. 105/2006) Enterprises shall include: any merchants, in the meaning of the Commerce Act ; any legal persons that are not merchants; any budget-funded enterprises and non-corporations, any foreign persons conducting business operations on the territory of this country through a permanent establishment, and trade representative offices.

Article 2

Enterprises shall keep account of their business transactions in a chronological order corresponding to the order in which they occur.

Article 3

(1) (Amended SG No. 91/2002) Primary accounting documents of enterprises shall be kept in the Bulgarian language, in Arabic digits and in Bulgarian levs. Accounting documents may also be drawn up in the respective foreign language and in foreign exchange in cases of deals negotiated in foreign exchange with foreign contractors.

(2) Accounting documents received by the enterprise written in a foreign language shall be accompanied by a translation into the Bulgarian language of the contents of any business transactions reflected therein.

Article 4

(1) Accountancy shall be executed, and financial statements shall be produced, in compliance with the requirements of this Act while observing the following general principles of accounting:

1. Accrual basis: income and expenses resulting from deals and events are to be accounted for as of such time when they arise regardless of the time of receipt or payment of cash or its equivalent and are to be shown in the financial statements for the period to which they relate;
2. Going concern: it is assumed that the enterprise is a going concern and will remain one in the foreseeable future; the enterprise does not have either the intention or the need to liquidate or significantly reduce the size of its operation; if not, a liquidation or other such accounting basis shall be applied in producing its financial statements.
3. (New, SG No. 105/2006) Prudence: evaluation and consideration of risk assumptions and estimated potential loss in the accounting treatment of business transactions to ensure that an actual financial result is obtained;
4. (New, SG No. 105/2006) Matching income and expenses: any expenses incurred in relation to a given deal or operation should be reflected in the financial result for the period in which the enterprise draws benefit from those expenses, while income should be recorded for the period in which any expenses attached to generating such income have been recorded;
5. (New, SG No. 105/2006) Priority of content over form: deals and events are to be accounted for in accordance with their economic content, essence and financial reality, and not formally, as per their legal (contractual) form;
6. (New, SG No. 105/2006) Retention, where possible, of the accounting policy from the preceding reporting period: ensuring comparability of accounting data and ratios across different reporting periods.
7. (New, SG No. 105/2006) Independence of the individual reporting periods and the value link between starting balance and closing balance: each reporting period should be treated, in accounting terms, in and of itself, independent of its objective relation to the previous and to the following reporting period, while data in the financial statements at the beginning of the current reporting period must match the data at the end of the previous reporting period.

(2) (Repealed, SG No. 105/2006) .

(3) Enterprises shall keep their accounts on the basis of documentary justification of business transactions and facts while observing the requirements for drawing up documents as provided by the respective effective legislation.

Article 5

(1) On-going accounting operations shall be set up following the procedure specified in this Act and following an individual chart of accounts endorsed by the enterprise's management.

(2) (Repealed, SG No. 96/2004) .

Article 5a

(New, SG No. 96/2004)

(1) For budget funded enterprises, the Minister of Finance shall approve accounting standards and a chart of accounts that comply with:

1. EU requirements for public sector reporting, statistics and budgeting;
2. the accounting framework, principles and concepts of the Guidebook on Methods for Public Financial Statistics issued by the International Monetary Fund;
3. public sector International Accounting Standards of the International Federation of Accountants;
4. requirements of Bulgarian law concerning budgeting, reporting implementation of the consolidated fiscal programme and management and control of funds and expenditure in budget funded enterprises.

(2) The standards and chart of accounts referred to in paragraph (1), and the methodology guidance for their application shall be developed and updated by the Ministry of Finance. In case of updates, budget funded enterprises shall be notified within reasonable time.

(3) On any matter not dealt with the standards and chart of accounts referred to in paragraph (1), budget funded enterprises may apply the provisions of standards applicable to other enterprises, following a procedure to be determined by the Minister of Finance.

(4) The standards and chart of accounts referred to in paragraph (1) shall be published in the State Gazette.

Article 5b

(New, SG No. 96/2004, repealed, SG No. 105/2006)

Chapter Two

ACCOUNTING DOCUMENTS AND FORM OF ACCOUNTING

Article 6

(1) An accounting document shall be any paper or technical carrier of accounting information and shall be classified as primary, secondary and a ledger:

1. A primary document shall carry information about a business transaction recorded for the first time;
2. A secondary document shall carry processed (summarised or differentiated) information derived from primary accounting documents;
3. Ledgers shall carry chronologically systematised information about business transactions derived from primary and/or secondary accounting documents.

(2) The accounting document may be an electronic document provided the requirements of this Act and those of the Electronic Document and Electronic Signature Act have been met.

Article 7

(1) (Amended, SG No. 96/2004) A primary accounting document addressed to another enterprise or an individual shall contain, as a minimum, the following information:

1. name and number made up of Arabic numerals only;
2. date of issue;
3. (amended, SG No. 63/2006, supplemented, SG No. 105/2006) name, address and identification number under Article 84 of the Tax and Social Insurance Procedure Code for the issuer and recipient;
4. subject and value expression of the business transaction;
5. first and last name and signature of the individual drawing up the document.

(2) (Amended, SG No. 96/2004) Any primary accounting document which pertains only to the enterprise's operations shall contain, at a minimum, the following information:

1. name and number made up of Arabic numerals only;
2. date of issue;
3. subject and value expression of the business transaction,
4. first and last name and signature of the individual drawing up the document.

(3) (New, SG No. 105/2006) It shall be deemed that there is documentary support also in case some of the information required under paragraphs (1) and (2) is missing from the primary accounting document, provided such missing information is supported by documents evidencing it.

(4) (New, SG No. 105/2006) Outside cases referred to in paragraph (3), documentary support shall be deemed to exist also where the primary accounting document has been issued by a party which is not an enterprise in the meaning of this Act and the document is missing some of the information required under paragraphs (1) and (2), provided such document reflects truly the documented business transaction.

(5) (New, SG No. 105/2006) The issuance of a primary accounting document as referred to in paragraph (1), except for cases where the recipient so desires or where so required by a law or a regulation, shall not be obligatory where:

1. the business transaction is documented by a fiscal cash register receipt issued by means of a fiscal device following a procedure as established under a regulation issued by the minister of finance, or by a security issued following a procedure

as established under the Regulation on the Terms and Procedure for Securities Printing and Control (promulgated, SG, No. 101/1994; amended, No. 38/1995, No. 73/1998, No. 8/2001), and

2. the recipient thereunder is a natural person who is not a trader.

(6) (Renumbered from paragraph (3) - SG No 105/2006) In accounting for certain business transactions, assets and liabilities of budget-funded enterprises, the Minister of Finance shall endorse the terms and procedure to document those, the format and requisite details for accounting documents the application of which is mandatory.

(7) (New, SG No. 102/2005, renumbered from paragraph (4) - SG No. 105/2006) For business transactions relating to payables to budgetary organisations which have arisen on the grounds of and under the terms and conditions of a law or regulation, the primary accounting document referred to in paragraph 1 shall be the relevant payment document for the payment made.

(8) (New SG No. 63/2006, renumbered from paragraph (5) - SG No 105/2006) The address under Paragraph 1, Item 3 is:

1. the permanent residence address - for the natural persons;
2. the business address - for the legal persons;
3. the address for correspondence under the Tax and Social Insurance Procedure Code for the persons, who do not have business address.

(9) (New, SG No. 63/2006, renumbered from paragraph (6) - SG No. 105/2006) The sole trader shall be identified only through an BULSTAT uniform identification code.

Article 8

(Amended SG No. 91/2002, supplemented, SG No. 105/2006)

In drawing up the primary accounting documents by technical means, the signatures referred to under Article 7, may be substituted for by identification codes or by electronic signatures in the meaning of the Electronic Document and Electronic Signature Act . Identification codes must provide a possibility beyond any doubt to identify the individual drawing up the primary accounting document.

Article 9

(1) In setting up and maintaining its accounting system, an enterprise shall ensure:

1. Exhaustive chronological registration of accounting transactions;
2. Systematic accounting ledgers to summarise accounting information, with the former being opened at the beginning of the reporting period and closed at its end;
3. Synthetic and analytical accounting ledgers, and the reconciliation and connection among them;
4. Interim and annual closing of accounting ledgers, generation of a journal;
5. Possibility to make changes in the book entries made, by way of making adjustment accounting entries;
6. Application of an individual chart of accounts.

(2) (Amended, SG No. 105/2006) Where an accounting software is used in keeping accounts, such software must have been developed in compliance with the requirements of this Act and support data processed by means of it and documents generated by it in the Bulgarian language.

Article 10

No corrections or additions shall be allowed in the primary accounting documents. Any primary accounting documents that have been erroneously drawn up shall be cancelled and new ones shall be drawn up.

Article 11

The persons who have drawn up and signed the accounting documents and technical information carriers shall be held liable for the authenticity of the information therein.

Article 12

The form of accounting shall be endorsed by the manager of the enterprise. The form shall ensure the synchronised execution of the chronological and systematic (analytical and synthetic) accounting.

Chapter Three

ASSETS, OWNER'S EQUITY, LIABILITIES, INCOME AND EXPENSES

Article 13

(1) Assets, owner's equity, liabilities, income and expenses shall be valued and recorded at the time of their acquisition or origination at their historic cost or other cost, in compliance with the applicable accounting standards.

(2) Historic cost is the acquisition price, the cost or the fair value.

(3) Subsequent valuations of assets and liabilities shall be done in accordance with the applicable accounting standards.

Article 14

(Amended, SG No. 105/2006)

Assets and liabilities shall be classified and shown in financial statements under the terms and following the procedures as set in the applicable accounting standards.

Article 15

(1) (Amended, SG No. 105/2006) Enterprises shall depreciate/amortise their depreciable/amortisable long-term/non-current assets in accordance with the applicable accounting standards.

(2) (Repealed, SG No. 102/2005) .

(3) Depreciation/amortisation in budget-funded enterprises shall be effected pursuant to an enactment of the Council of Ministers.

Article 16

In the course of their consumption, inventory stocks shall be valued in accordance with the applicable accounting standards.

Article 17

(Amended, SG No. 105/2006)

Expenses and income shall be classified and shown in financial statements under the terms and following the procedures as set in the applicable accounting standards.

Article 18

(Repealed, SG No. 105/2006)

Article 19

(Repealed, SG No. 105/2006)

Article 20

(Amended, SG No. 105/2006)

Components of owner's equity shall be classified and shown in financial statements under the terms and following the procedures as set in the applicable accounting standards.

Chapter Four

INVENTORY TAKING

Article 21

(Amended and supplemented, SG No. 91/2002, repealed, SG No. 105/2006)

Article 22

(1) (Amended, SG No. 105/2006) Inventory taking of assets and liabilities shall be carried out in each reporting period in order to ensure that they are presented in a truthful manner in the annual financial statements. Inventory shall be taken following a procedure and in a manner as established by the governing bodies of the enterprise.

(2) (New, SG No. 105/2006) For budget-funded enterprises, the minister of finance may set other time periods for carrying out inventory taking.

(3) (Previous paragraph (2) - SG No. 105/2006) Inventory taking shall be carried out also upon the request of the authorities of the judiciary and of other authorities, where so provided for in a law.

Chapter Five

FINANCIAL STATEMENTS

(Title amended, SG No. 105/2006)

Section 1

Applicable Accounting Standards, Contents of Financial Statements and Annual Management Reports

(Title amended, SG No. 105/2006)

Article 22a

(New, SG No. 96/2004, amended, SG No. 105/2006)

(1) Enterprises in the Republic of Bulgaria, with the exception of enterprises referred to in Article 22b, shall prepare and present their annual financial statements on the basis of International Accounting Standards.

(2) Enterprises referred to in Article 38, paragraph (1), items (2) and (3) shall be obliged to prepare and present their annual financial statements on the basis of International Accounting Standards.

(3) An enterprise which has, in one reporting period, prepared and presented its annual financial statements on the basis of International Accounting Standards cannot apply the National Financial Reporting Standards for Small and Medium-sized Enterprises.

Article 22b

(New, SG No. 105/2006)

(1) Annual financial statements shall be prepared and presented on the basis of the National Financial Reporting Standards for Small and Medium- sized Enterprises by enterprises which, for at least one of the two preceding years, do not exceed the indicators under two of the following criteria:

1. balance sheet assets as of 31 December: BGN 8 million;
2. net income from sales for the year: BGN 15 million;
3. average number of personnel for the year: 250 persons;

(2) Newly established enterprises shall prepare and present their annual financial statements on the basis of the National Financial Reporting Standards for Small and Medium-sized Enterprises for the year of their establishment and for the year following it.

(3) National Financial Reporting Standards for Small and Medium-sized Enterprises shall be adopted by the Council of Ministers and shall comply with the European Union *acquis communautaire* and national specifics.

(4) Enterprises referred to in paragraphs (1) and (2) may choose to prepare and present their annual financial statements on the basis of International Accounting Standards.

(5) Enterprises terminated through liquidation or declared bankrupt shall prepare and present their annual financial statements on the basis of a National Accounting Standard adopted by the Council of Ministers.

(6) Standards referred to in paragraphs (3) and (5) shall be published in the State Gazette.

Article 22c

(New, SG No. 105/2006)

Consolidated and interim financial statements shall be prepared and presented on the basis of the accounting standards on the basis of which the annual financial statements of the enterprise producing such consolidated and interim financial statements have been prepared.

Article 23

(1) (Amended, SG No. 105/2006) Enterprises shall draw up:

1. annual financial statements as of December 31 in thousand Bulgarian levs;
2. consolidated financial statements as of December 31 of the reporting period in thousand BGN, in the cases referred to in Article 37;
3. interim financial statements covering a period of less than one calendar year, where so required by a law or a regulation, or upon a decision of their governing body.

(2) The annual financial statements must give a true and fair picture of the property and financial condition of the enterprise, its reported financial result, and any changes in cashflows and in owner's equity.

(3) (Amended, SG No. 96/2004, repealed, SG No. 105/2006) .

(4) (Amended, SG No. 96/2004, repealed, SG No. 105/2006) .

(5) (Amended, SG No. 96/2004) Budget funded enterprises shall prepare and present their annual financial statements on the basis of the chart of accounts, accounting standards and the methodology guidance referred to in Article 5a.

Article 24

(Amended, SG No. 105/2006)

The governing bodies of the enterprise shall be responsible for drawing up, timely preparation, the contents and publication of its financial statements.

Article 25

(Amended, SG No. 105/2006)

Information presented in the financial statements must meet the following requirements:

1. Understandability: it should be useful to its users in taking economic decisions;
2. Relevance: it should enable users to assess past, present or future events and confirm or adjust their earlier judgements in taking economic decisions;
3. Reliability: it should be free of any material error or bias;
4. Comparability: it should enable comparisons between the information from the enterprise from different years, and with information from other enterprises in order to assess its efficiency, financial condition and any changes therein.
5. (Repealed, SG No. 105/2006) .

Article 26

(1) The component parts of the annual financial statements shall be a balance sheet, a profit and loss account, a statement of cashflows, an owner's equity account and notes.

(2) (Amended, SG No. 105/2006) The component parts of the consolidated financial statements shall be a consolidated balance sheet, a consolidated profit and loss account, a consolidated statement of cashflows, a consolidated owner's equity account and notes.

(3) (New, SG No. 105/2006) The form, structure and contents of the components of the annual financial statements shall be defined in accordance with the applicable accounting standards.

(4) (New, SG No. 105/2006) Enterprises applying a simplified form of financial reporting which prepare and present their annual financial statements on the basis of the National Financial Reporting Standards for Small and Medium-sized Enterprises may prepare summary annual financial statements. Its form, structure and contents shall be defined in the National Financial Reporting Standards for Small and Medium-sized Enterprises.

(5) (New, SG No. 105/2006) The form, structure and contents of the components of financial statements shall be kept unchanged across the various reporting periods, with the exception of cases specified in the applicable accounting standards. In cases where a change has been made, the notes to the financial statements must disclose and explain the

reasons for such change.

(6) (New, SG No. 105/2006) The form, structure and contents of the components of annual and interim financial statements of budget-funded enterprises shall be determined by the minister of finance.

Article 27

(Repealed, SG No. 105/2006)

Article 28

(Repealed, SG No. 105/2006)

Article 29

(Repealed, SG No. 105/2006)

Article 30

(Repealed, SG No. 105/2006)

Article 31

(Repealed, SG No. 105/2006)

Article 32

(1) (Amended, SG No. 96/2004, repealed, SG No. 105/2006) .

(2) Enterprises, when controlled by the state or by municipalities, or when assisted thereby through subsidies, preferential loans, government guarantees or other forms of government aid, may be required by the Minister of Finance to present additional statements and information following requirements as to format, contents, timing and procedure for drawing up and presentation as set by the Minister of Finance.

(3) (Amended, SG No. 96/2004, SG No. 105/2006) Annual financial statements of sole traders which are not subject to an obligatory independent financial audit and having a net amount of income from sales for the current year that does not exceed BGN 100,000 may consist only of a profit and loss account.

(4) (Amended, SG No. 96/2004, SG No. 105/2006) Sole traders which are not subject to an obligatory independent financial audit and having a net amount of income from sales for the previous reporting period that does not exceed BGN 50,000 may report and present their activity by keeping special books, i.e. ledgers, by means of which the financial result for the reporting period can be determined in a true and fair way.

(5) (New, SG No. 96/2004, repealed SG No. 105/2006) .

Article 33

(Supplemented, SG No. 96/2004, amended, SG No. 105/2006)

(1) Enterprises the annual financial statements of which are subject to obligatory independent financial audit shall draw up also a management report, which shall include, at a minimum, the following information:

1. An overview presenting a true and fair description of the development and performance results of the operations of the enterprise and of its condition, together with a description of the main risks faced by it;
2. All significant events that have occurred after the date of drawing up the annual financial statements;
3. The probable future development of the enterprise;
4. Activity in the area of research and development;
5. Information as required under Article 187e and Article 247 of the Commerce Act ;
6. The existence of any branches of the enterprise;
7. Any financial instruments used by the enterprise, and where material for the purposes of evaluating the assets, liabilities, financial condition and financial result, the following shall be disclosed:

(a) the goals and policies of the enterprise concerning financial risk management, including its hedging policy for each main type of hedged position for which accounting for hedging is applied, and

(b) the enterprise's exposure to price, credit and liquidity risk and cashflow risk.

(2) The overview referred to in paragraph (1), item (1) is a balanced and exhaustive analysis of the development and performance results of the operations of the enterprise, and of its condition in terms of the size and complexity of operations. The analysis shall include financial, and where appropriate, non-financial performance indicators relevant to the respective operation, including information relating to the environment and personnel to the extent necessary to gain an understanding of the development, performance and condition of the enterprise. Where appropriate, the overview shall also include reference to additional explanations concerning amounts represented in the annual financial statements.

(3) Enterprises which prepare and present consolidated financial statements shall draw up also a consolidated management report, which shall include, at a minimum, the following information:

1. An overview presenting a true and fair description of the development, performance results of the operations and the condition of the enterprises included in the consolidation as a whole (the enterprises in the group), together with a description of the main risks faced by them;
2. All significant events that have occurred after the date of drawing up the consolidated financial statements;
3. The probable future development of the enterprises in the group as a whole;
4. Activity in the area of research and development of the enterprises in the group as a whole;

5. number and face value of shares or stock in the parent company held by it, by any of its subsidiaries or any party acting on its own behalf but for the account of such enterprises;

6. Any financial instruments used by the enterprises in the group, and where material for the purposes of evaluating the assets, liabilities, financial condition and financial result, the following shall be disclosed:

(a) the goals and policies of the enterprises concerning financial risk management, including their hedging policy for each main type of hedged position for which accounting for hedging is applied, and

(b) the exposure of the enterprises in the group to price, credit and liquidity risk and cashflow risk.

(4) The overview referred to in paragraph (3), item (1) is a balanced and exhaustive analysis of the development and performance results of the operations of the enterprises in the group, and of their condition as a whole in terms of the size and complexity of operations run by them. The analysis shall include financial, and where appropriate, non-financial performance indicators relevant to the respective operation, including information relating to the environment and personnel to the extent necessary to gain an understanding of the development, performance and condition of the enterprise. Where appropriate, the overview shall also include reference to additional explanations concerning amounts represented in the consolidated financial statements.

(5) The annual management report and the annual consolidated management report may be prepared and presented as a single whole. In such a case, where appropriate, attention should be paid to the issues which are significant for the group as a whole.

(6) Reporting data on assets, liabilities, income, expenses and transactions of all budget-funded enterprises shall be consolidated at the Ministry of Finance on the basis of trial balances and other information submitted by the budget-funded enterprises under terms, conditions, frequency periods and following a procedure established by the minister of finance.

Section II

Drawers of Financial Statements

(Title amended, SG No. 105/2006)

Article 34

(Amended, SG No. 105/2006)

(1) Financial statements (interim, annual and consolidated) shall be drawn up by drawers of financial statements.

(2) Any natural person or a specialised accounting enterprise can be a drawer of financial statements provided they meet the requirements of this Act.

(3) The financial statements of an enterprise shall be signed by:

1. those natural persons who manage and represent the enterprise, and
2. the natural person who:

(a) has drawn up the financial statements, in cases where the financial statements have been drawn up directly by a natural person, or

(b) manages and represents the enterprise which is the drawer of the financial statements, in cases where the financial statements have been drawn up by a specialised accounting enterprise.

(4) The financial statements shall also bear:

1. the first and last names of the persons referred to in paragraph (3);
2. the stamp of the enterprise;
3. the stamp of the specialised accounting enterprise.

(5) in cases where the financial statements have been drawn up directly by a natural person, that person must be engaged in a legal relationship under an employment agreement under the Labour Code or the Civil Servants Act, or be retained under a contractual obligation with the respective company.

(6) The parties referred to in paragraph (3), item (2) must meet the requirements stated in Article 35.

Article 35

(1) (Amended, SG No. 105/2006) A drawer of financial statements may be a person meeting the listed qualification requirements for an obligatory minimum degree of completed education and the professional experience relevant to it, as follows:

1. (Amended - SG No. 33/2006) Tertiary education in accounting and economics, and a length of employment in the area of accounting, external, internal audit and financial inspection, tax audits or as an educator in accounting and control, as follows:

- a) For holders of a master's degree, 2 years;
- b) For holders of a bachelor's degree, 3 years;
- c) For holders of a specialist degree, 4 years;

2. (Amended - SG No. 33/2006) Other tertiary economic education and 5 years of previous employment in the area of accounting, external, internal audit and financial inspection tax audits or as an educator in accounting and control;

3. Secondary economic education and 8 years of previous employment as an accountant.

(2) (Amended, SG No. 105/2006) A drawer of financial statements may be a person who has not been convicted for

a crime of a public nature under Chapter Five and under section I of Chapter Six of the Special Part of the Criminal Code .

(3) (Amended, SG No. 105/2006) The Minister of Finance may specify also any additional requirements to persons drawing up financial statements of budget-funded enterprises.

Article 36

(Amended, SG No. 105/2006)

Drawers of financial statements shall be responsible for the organisation of the accounting function at the enterprise.

Section III

Requirements for Drawing Up Consolidated Financial Statements,

Preparation, Independent Financial Audit and Public Access to Financial Statements

(Title amended, SG No. 105/2006)

Article 37

(Supplemented, SG No. 96/2004, amended, SG No. 105/2006)

(1) Enterprises shall draw up their annual financial statements by 31 March of the following year.

(2) An enterprise (parent company) shall draw up consolidated financial statements where:

1. it controls more than half of the voting rights of shareholders or partners in another enterprise (controlled enterprise), including under a contractual relation, provided that it is a shareholder or partner in that enterprise;

2. it has the right to appoint or release more than half of the members of the managing and/or supervisory body of another enterprise (controlled enterprise), including under a contractual relation, provided that it is a shareholder or partner in that enterprise;

3. it has the right to manage the financial and operations policies of another enterprise under a contractual relation;

4. it is a shareholder or partner holding 20 per cent or more of the voting rights in another enterprise (controlled enterprise) and solely through the exercise of such rights it has appointed more than half of the members of the managing and/or supervisory body of the controlled enterprise which operated during the reporting period, during the previous reporting period and until the date of preparing the consolidated financial statements; no consolidated financial statements as referred to in the first sentence shall be drawn up where the rights specified in items (1 - 3) with respect of the controlled enterprise are held by another enterprise.

(3) In establishing the rights of the parent company for the purposes of paragraph (2), items (1), (2) and (4), the voting rights and the rights to appoint or release held by the subsidiary in the parent company or by a party acting on its own behalf but for the account of the parent company or of any subsidiary in the group, shall be added to the rights of the parent company.

(4) In establishing the rights of the parent company for the purposes of paragraph (2), items (1), (2) and (4), the following shall not be taken into account:

1. voting rights attaching to shares held for the account of any party different from the parent company or any of its subsidiaries;

2. voting rights attaching to shares received as security, where the enterprise which put up such security exercises those rights.

(5) For the purposes of paragraph (2), items (1) and (4), the total number of voting rights in the controlled enterprise held by all shareholders or partners shall be reduced by the voting rights attaching to shares or stock held by that controlled enterprise and/or by any of its subsidiaries, and/or by any party acting on its own behalf but for the account of such enterprises.

(6) The parent company and its subsidiaries shall be subject to consolidation regardless of where the registered addresses of subsidiaries are located.

(7) Consolidated financial statements shall be prepared only by companies which are parent companies.

(8) For budget-funded enterprises, the procedure, method and time periods for preparing and presenting financial statements shall be established by the minister of finance.

Article 37a

(New, SG No. 105/2006)

No consolidated financial statements shall be drawn up under the procedure set out in Article 37, paragraph (2) by a parent company where the sum of the indicators of the enterprises within the group which are subject to consolidation do not, according to their annual financial statements drawn up as of 31 December of the current year, exceed the indicators under two of the following criteria:

1. balance sheet assets as of 31 December: BGN 3 million;

2. net income from sales for the year: BGN 6 million;

3. average number of personnel for the year: 80 persons.

Article 37b

(New, SG No. 105/2006)

(1) No consolidated financial statements shall be drawn up under the procedure set out in Article 37, paragraph (2) by a parent company where it is also a subsidiary of a domestic parent company or a parent company from another Member State of the European Community, in any one of the following cases:

1. such domestic parent company or parent company from another Member State owns all shares or stock in the domestic (subsidiary) parent company; in establishing the shares or stock of the domestic (subsidiary) parent company, shares or stock held by members of the managing and/or supervisory body under the provisions of a law or the articles of association or charter shall not be taken into account, or

2. such domestic parent company or parent company from another Member State owns 90 per cent or more of the shares or stock in the domestic (subsidiary) parent company and the other partners or shareholders in it have given their consent in writing that no consolidated financial statements are to be drawn up.

(2) Paragraph (1) shall apply where all of the following conditions are met at the same time:

1. the domestic (subsidiary) parent company and all of its subsidiaries are included in the consolidated financial statements of the domestic parent company or parent company from another Member State;

2. the consolidated financial statements and the annual consolidated management report are drawn up by the domestic parent company and are subject to an independent financial audit under the terms and following the procedure set out in Article 38, or by the parent company from the other Member State and are subject to an independent financial audit in accordance with the legislation of that Member State;

3. the consolidated financial statements, the annual consolidated management report and the auditor's report of the domestic parent company are published under the terms and following the procedure set out in Article 40, or of the parent company from the other Member State are published in the Bulgarian language by the domestic parent company under the terms and following the procedure set out in Article 40;

4. the notes to the annual financial statements of the domestic (subsidiary) parent company contain a disclosure of the name and registered address of the domestic parent company or of the parent company from the other Member State which draws up the consolidated financial statements referred to in item (1), and that it is released from the obligation to draw up consolidated financial statements and an annual consolidated management report.

Article 37c

(New, SG No. 105/2006)

No consolidated financial statements shall be drawn up under the procedure set out in Article 37, paragraph (2) by a parent company where it is a subsidiary of a domestic parent company or a parent company from another Member State of the European Community, and all of the following conditions are present at the same time:

1. the conditions set out in Article 37b, paragraph (2) are met;

2. the partners or shareholders in the domestic (subsidiary) parent company which own not less than 10 per cent of the shares or stock, where the enterprise is a limited liability company, a joint stock company or a partnership limited by shares, or not less than 20 per cent of the shares, where the enterprise is a general partnership or a private partnership, have not requested that consolidated financial statements are to be drawn up by 30 June of the respective reporting period.

Article 37d

(New, SG No. 105/2006)

No consolidated financial statements shall be drawn up under the procedure set out in Article 37, paragraph (2) where the parent company is also a subsidiary of a parent company from a non-Member State of the European Community (a third country), and all of the following conditions are met at the same time:

1. the domestic parent company and all of its subsidiaries are included in the consolidated financial statements of a parent company from a third country;

2. the consolidated financial statements and, where appropriate, the annual consolidated management report are drawn up in accordance with this Act and the applicable accounting standards or in an approach equivalent to them;

3. the consolidated financial statements of the parent company from a third country is subject to an independent financial audit in accordance with the legislation of that country;

4. the requirements set out in Article 37b, paragraph (2), items (3) and (4), and Article 37c, paragraph (2) concerning the parent company from a third country are met.

Article 37e

(New, SG No. 105/2006)

The provisions of Article 37a - 37d shall not apply to enterprises referred to in Article 38, paragraph (1), items (1) to (4), which shall be obligated to prepare and present consolidated financial statements in the presence of the conditions specified in Article 37, paragraph (2).

Article 38

(Amended, SG No. 91/2002, SG No. 96/2004, effective 29.10.2004, SG No. 105/2006)

(1) Unless otherwise provided for by law, annual financial statements of the following shall be subject to an

independent financial audit by registered auditors:

1. joint stock companies and partnerships limited by shares;
2. enterprises which are issuers in the meaning of the Public Offering of Securities Act ;
3. (amended, SG No. 108/2006) credit institutions, insurance and investment undertakings, companies for additional social security and the funds managed by them;
4. enterprises for which this requirement is established by a law;
5. all enterprises not mentioned in items (1) through (4), with the exception of enterprises applying a simplified form of financial reporting and budget-funded enterprises.

(2) Annual financial statements of non-profit legal persons designated as operating for the public benefit and listed in the Central Register with the Ministry of Justice shall be subject to an independent financial audit by registered auditors where for the current year they exceed one of the following criteria:

1. balance sheet assets as of 31 December: BGN 1 million;
2. income from for-profit and not-for-profit operations for the current year: BGN 2 million;
3. total amount of financing received during the current year and financing received in previous reporting periods not absorbed as of 31 December: BGN 1 million.

(3) Consolidated financial statements and individual financial statements included in the consolidation shall be subject to independent financial audit.

(4) In their audit reports, registered auditors who carry out independent financial audit of financial statements shall be obligated to express also an opinion on the correspondence between the annual management report and the annual financial statements for the same reporting period and/or on the correspondence between the annual consolidated management report and the consolidated financial statements for the same reporting period.

Article 39

(Repealed, SG No. 105/2006)

Article 40

(Supplemented, SG No.96/2004, amended SG No. 105/2006)

(1) By 30 June on the following year, enterprises shall publish their annual financial statements and their consolidated financial statements, their annual management report and their annual consolidated management report as adopted by the general meeting of partners/shareholders or by the relevant body as follows:

1. merchants in the meaning of the Commerce Act , by filing and submitting them for the purposes of announcing them in the Commercial Register;
2. non-profit legal persons designated as operating for the public benefit: by filing for recordation and submitting them to the Central Register with the Ministry of Justice under the terms and following the procedure set out in the Non-Profit Legal Persons Act;
3. the rest of enterprises, through a business publication or in the Internet.

(2) Following the procedure set out in paragraph (1), enterprises referred to in Article 38 shall publish:

1. their financial statements, in the form in which they were certified by a registered auditor;
2. their annual management reports, in the form on the basis of which the registered auditor expressed his/her opinion;
3. the auditor's report on the statements and reports referred to in items (1) and (2).

(3) Following the procedure set out in paragraph (1), together with their annual financial statements, joint stock companies, partnerships limited by shares and limited liability companies shall also publish information on the proposal of the managing body on the distribution of profit or for covering a previous year's loss and the decision of the general meeting of shareholders/partners on the allocation of profit for distribution or for covering a previous year's loss.

(4) The annual financial statements of an enterprise which prepares consolidated financial statements shall be published concurrently with the consolidated financial statements of the group, together with their respective annual management reports.

(5) Where the statements and reports of enterprises referred to in paragraph (1), item (3) are published in the Internet, free access must be ensured to them free of charge for a period not shorter than three years following the date of their publication.

(6) Upon request, enterprises referred to in paragraph (1), item (3) shall provide information on the location where their statements and reports are published.

(7) Outside the cases referred to in paragraphs (1) and (2), where an enterprise publishes summary financial statements, it shall be obligated to disclose that the statements are summarized, indicating also the location where the financial statements are published following the procedure set out in paragraph (1). Where the financial statements have not been published yet following the procedure set out in paragraph (1), this fact must also be disclosed. Where summary financial statements have been published, the auditor's report cannot accompany such publication but it shall be obligatory to disclose the auditor's opinion expressed: unqualified, qualified or negative opinion, or a refusal to issue an opinion, and the issues included in the auditor's report to which attention is drawn without qualifying the auditor's opinion.

(8) Paragraphs (1) through (7) shall not apply to budget-funded enterprises as and when otherwise provided for in a law.

Article 41

The form, contents and periods for financial statements for the management purposes of the enterprise shall be determined by its governing bodies.

Chapter Six

SAFEKEEPING ACCOUNTING INFORMATION

Article 42

(1) Accounting information shall be kept at the enterprise following the procedure prescribed by the State Archive Fund Act, for the following duration:

1. Payrolls, for 50 years;
2. Accounting ledgers and financial statements, for 10 years;
3. Documents for tax control, for up to 5 years after the expiration of the statute of limitation for retiring the public debt certified by the documents involved;
4. Documents for financial audit, until the execution of the internal audit and audit by the National Audit Office;
5. All other information carriers, for 3 years.

(2) Accounting information may be stored on a paper or technical carrier and in archives set up by enterprises engaged in the relevant business activity, while complying with the requirements set in paragraph (1).

(3) (Supplemented, SG No. 105/2006) After the accounting information has been recorded /transferred/ from paper onto a magnetic, optical or other technical carrier ensuring its reliable retrieval, the paper carrier may be destroyed. The accounting information transferred on a technical carrier must be reproducible in a volume and with contents identical to the information contained on the paper carrier.

(4) (New, SG No. 105/2006) Where an enterprise is terminated by way of reorganisation, carriers (paper and/or technical) of accounting information shall be handed over to the receiving and/or newly established enterprise/enterprises.

Article 43

Upon the expiry of the prescribed term of safekeeping, accounting information carriers /paper or technical/ that are not subject to submission to the State Archive Fund may be destroyed.

Article 44

(Amended, SG No. 105/2006)

Any movement of accounting documents from the time of their generation or receipt at the enterprise to the time when they are destroyed or submitted as required by a law or a regulation shall be conducted following a procedure set by the governing body of the enterprise.

Article 45

(1) (Amended, SG No. 105/2006) In case of a termination of the legal relationship under an employment agreement under the Labour Code or the Civil Service Act, or a contractual obligation, with a drawer of financial statements, the accounting documentation shall be handed over to his/her successor.

(2) (Amended, SG No. 105/2006) The acceptance and handing over referred to in paragraph (1) shall be done in the presence of a committee following a procedure as established by the governing bodies of the enterprise.

(3) In case of a termination of legal relationships with the manager of the enterprise, the said manager must hand over the entire accounting and other official documentation of the enterprise in his/her possession to his/her successor.

Chapter Seven

ADMINISTRATIVE PENAL PROVISIONS

Article 46

(1) Whoever should fail to fulfil an obligation arising from this Act, shall be penalised with a fine ranging from BGN 100 to 300; legal persons and sole proprietors shall be imposed a pecuniary sanction ranging from BGN 300 to 500.

(2) Where a violation has been made for a second time, a fine or pecuniary sanction in a doubled amount shall be imposed.

Article 47

(1) (Amended, SG No. 105/2006) Whoever should fail to comply with the requirements set in Article 22 on taking inventory within the time limits prescribed by the law shall be penalised by a fine ranging from BGN 200 to 500; legal persons and sole proprietors shall be imposed a pecuniary sanction ranging from BGN 500 to 1,500. Where a violation has been made for a second time, a sanction in a doubled amount shall be imposed.

(2) (Amended, SG No. 105/2006) Whoever should fail to comply with the requirements set in Article 23, paragraph (1) on drawing up financial statements shall be penalised by a fine ranging from BGN 500 to 1,000; legal persons and sole proprietors shall be imposed a pecuniary sanction ranging from BGN 2,000 to 3,000.

(3) (Amended, SG No. 105/2006) Whoever should fail to comply with the requirements set in Article 40 on publishing financial statements shall be penalised by a fine ranging from BGN 1,500 to 2,000; legal persons and sole

proprietors shall be imposed a pecuniary sanction ranging from BGN 2,000 to 3,000. Where a violation has been made for a second time, a sanction in a doubled amount shall be imposed.

(4) Whoever should fail to comply with the requirements on safekeeping accounting information as set in Chapter Six of this Act shall be penalised by a fine ranging from BGN 1,000 to 2,500; legal persons and sole proprietors shall be imposed a pecuniary sanction ranging from BGN 2,000 to 5,000. Where a violation has been made for a second time, a sanction in a doubled amount shall be imposed.

(5) (Amended, SG No. 105/2006) A person who/which draws financial statements without meeting the requirements to a drawer of financial statements shall be penalised with a fine or pecuniary sanction ranging from BGN 1,500 to 3,000. Where a violation has been committed for a second time, the pecuniary sanction in a doubled amount shall be imposed.

(6) (Amended SG No. 91/2002) Any enterprise having contracted the performance of an independent audit by a person operating as a registered auditor without having been registered following the procedures specified in the Independent Financial Audit Act shall be imposed a pecuniary sanction ranging from BGN 2,000 to 10,000. Where a violation has been made for a second time, the sanction shall be in the range from BGN 15,000 to 30,000.

Article 48

(1) (Amended, SG No. 105/2005, SG No. 33/2006) Protocols attesting to administrative offences shall be produced by the authorities of the National Revenue Agency and the Public Financial Inspection Agency.

(2) Penalty warrants shall be issued by the Minister of Finance or by officials authorised by him/her.

(3) The drawing up of protocols, the issuance, appeal and execution of penalty warrants shall be done under the procedure set up in the Administrative Offences and Penalties Act .

ADDITIONAL PROVISION

§ 1. In the meaning of this Act:

1. "Budget-funded enterprises" shall be any state and municipal authorities, their structural units and any economically autonomous persons applying budgets, budget accounts, extra budgetary accounts and funds in the meaning of the Structure of the State Budget Act and the Municipal Budgets Act , and any state funds and institutions involved in the obligatory social security, health insurance or other such security/insurance, central government schools of higher education, the Bulgarian Academy of Sciences, the Bulgarian National Television, the Bulgarian National Radio and other persons and structural units the accounts and transactions of which are included, by the Ministry of Finance, into the consolidated fiscal programme.

2. "Reporting period" shall be the calendar year (January 1 December 31).

3. "Fair value " shall be the amount for which an asset can be exchanged or a liability retired in an arm's length transaction between a buyer and a seller informed and willing to transact. It is a sales price, a stock exchange price or a market price.

4. "Cost" is the valuation of assets produced (created) at an enterprise not including any administrative expenses, sales expenses, financial or extraordinary expense.

5. (Amended, SG No. 105/2006) "Independent financial audit of financial statements" is the audit as defined in the Independent Financial Audit Act.

6. (Amended, SG No. 105/2006) "International Accounting Standards" refers to the international accounting standards adopted by the European Commission under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The international accounting standards include: International Accounting Standards ({in English} (International Accounting Standards (IAS)), International Financial Reporting Standards ({in English} (International Financial Reporting Standards (IFRS)) and the interpretations on their application ({in English} (SIC - IFRIC interpretations). International accounting standards include also subsequent amendments to these standards and the interpretations on their application, future standards and the interpretations on their application, issued or approved by the International Accounting Standards Board ({in English} (International Accounting Standards Board (IASB)).

7. (Amended, SG No. 105/2005) "Specialised accounting enterprise" is any person registered in accordance with the Commerce Act or with the legislation of another Member State of the European Union, or a country signatory to the Agreement on the European Economic Area, having within its scope of business activity to organise accounting and to draw up financial statements following the procedure set in this Act.

8. "Acquisition price" refers to the purchase price plus any costs associated with bringing the asset into a form ready to use.

9. A violation has been made "for a second time" when effected within one year of the entry into force of a penalty warrant under which the offender is penalised for a violation of the same type.

10. "Inventory taking" is the process of preparing and actually checking, through various means, the physical and value parameters of assets and liabilities of an enterprise as of a specific date, comparing the results to book data and establishing any mismatches.

11. (Amended, SG No. 105/2006) "Net income from sales" refers to amounts from the sale of produce, goods and

services generated through the ordinary operations of the enterprise reduced by any sales discounts, deductions, rebates, and the value added tax.

12. (Amended, SG No. 105/2006) "Ordinary operations" refers to a set of business transactions carried out regularly by an enterprise in the normal course of its business which by their nature are not investment or financial operations in the meaning of the applicable accounting standards. .

13. (Amended, SG No. 105/2006) An "establishment" is the place of business activity in the meaning of § 1, item 5 of the Additional Provisions of the Tax and Social Insurance Procedure Code .

14. (Amended, SG No. 105/2006) "Consolidated financial statements" are a set of financial statements which presents the property and financial condition, the reported financial result, changes in cashflows and in owner's equity of the enterprises included in the consolidation as if they were one enterprise.

15. (New, SG No. 96/2004, amended, SG No. 102/2005, SG No. 105/2006) "Enterprises applying a simplified form of financial reporting" refers to enterprises which over the current or the previous year do not exceed the indicators under two of the following criteria:

1. balance sheet assets as of 31 December: BGN 1.5 million;
2. net income from sales for the year: BGN 2.5 million;
3. average number of personnel for the year: 50.

In determining the status of a newly established enterprise as one applying a simplified form of financial reporting, only the values under these criteria for the year of establishment shall be taken into account.

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 2. This Act shall repeal the Accountancy Act (prom., SG No. 4 of 1991; amend., SG No. 26 of 1992, SG No. 55 of 1993, SG Nos. 21, 33 and 59 of 1996, SG No. 52 of 1997, SG No. 21 of 1998, SG Nos. 57, 81, 83 and 113 of 1999 and SG Nos. 1 and 92 of 2000).

§ 3. In Article 39 of the Non-Profit Legal Persons Act (prom., SG No. 81 of 2000; amend., SG No. 41 of 2001), paragraph (3) shall be amended to read as follows:

"(3) Non-profit legal persons designed to perform activities for the public benefit that have been recorded in the Central Register with the Ministry of Justice shall be subject to an independent audit under the provisions laid down in the Accountancy Act, if they exceed at least one of the following limits:

- (a) Total balance sheet assets for the preceding year of BGN 500,000;
- (b) An amount of operating income and net income from sales, and of financial income for the preceding year of BGN 1 million."

§ 4. In the Co-operatives Act (prom., SG No. 113 of 1999; amend., SG No. 92 of 2000), the following amendments shall be made:

1. In Article 15, paragraph (3), item (3) shall be amended to read:

"3. assigns a registered auditor, where the co-operative exceeds not less than two of the following criteria for the previous year:

- (a) Total balance sheet assets of BGN 500,000;
- (b) Total net operating income of BGN 1,000,000;
- (c) Average number of staff - 30 people;"

2. Article 62 shall be repealed.

§ 5. (Repealed, SG No. 96/2004, new, SG No. 102/2005) In defining the status of an enterprise as a small or medium-sized for 2005, the values of the criterion under § 1, item 15 letters "a" and "b" of the additional provisions are used for 2004 only.

§ 6. For medical establishments that are commercial companies with more than 50 per cent of state and/or municipal interest, the provisions of Article 38 of this Act shall apply as of 1 January 2006.

§ 7. (Amended, SG No. 96/2004 - effective 29.10.2004) Not later than 31 December 2004, the Council of Ministers shall adopt the standards referred to in Article 22a, paragraph (5).

§ 8. (Repealed, SG No. 96/2004, new, SG No. 108/2006) (1) Credit and financial institutions and insurance undertakings shall prepare and present their financial statements following the procedure set out in Articles 22a, 22b, 22c and regulations issued by the Minister of Finance.

(2) The regulations referred to in paragraph (1) shall introduce the requirements of Council Directive 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and Council Directive 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings.

- (3) No later than by 31 January 2007, the Minister of Finance shall issue the regulations referred to in paragraph (1).

§ 9. Any pending administrative penal proceedings shall be completed in the procedure that has been in place until now.

§ 10. Enforcement of this Act is hereby assigned to the Council of Ministers.

§ 11. This Act shall take force and effect as of 1 January 2005, except for § 10 and § 14, which shall become

effective as of the date of its publication in the State Gazette.

TRANSITIONAL AND CONCLUDING PROVISIONS

To the Act Amending and Supplementing the Accountancy Act

(SG No. 96/29.10.2004, effective 1.01.2005,
amended, SG No. 105/2006, effective 1.01.2007)

§ 16. (Repealed, SG No. 105/2006)

§ 17. For 2004, the requirement for an independent financial audit shall apply to annual financial statements of enterprises where for 2003 they exceed at least two of the criteria referred to in Article 38, paragraph (1) as adopted under § 10 of this Act.

§ 19. This Act shall force as of 1 January 2005, except for § 10 and § 14, which shall enter into force as of the date of its publication in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS

To the Act Amending and Supplementing the Accountancy Act

(SG No. 105/2006, effective 1.01.2007)

§ 47. Catch 23, item 2 which refers to paragraph (4) of Article 26, and Catch 40, which refers to Article 40, shall not apply for financial statements for 2006.

.....
§ 61. This Act shall enter into force as of 1 January 2007, except for § 48, which shall enter into force as of 1 July 2007.